

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY MOSCOW IMMEDIATE

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E.O. 11652 N/A

TAGS: EIRO EGEN UR US XT JA

SUBJECT: PROTEST OF RENTAL INCREASES ON HOTEL SPACE

OCCUPIED BY FOREIGN FIRMS IN MOSCOW

REF: A. STATE 163561; B. MOSCOW 9656 C. MOSCOW 9895

1. IF EMBASSY AWARE THAT BUSINESS ENTITIES OF ANY THIRD COUNTRY (INCLUDING TRADING ORGANIZATIONS OF AN EASTERN EUROPEAN COUNTRY) UTILIZING HOTEL SPACE FOR COMPARABLE PURPOSES HAVE NOT BEEN SUBJECTED TO COMPARABLE RENT INCREASES, DEPARTMENT RECOMMENDS THAT SECOND SENTENCE, THIRD PARAGRAPH OF DRAFT NOTE RELAYED REFTEL C BE AMENDED TO READ: QUOTE THE EMBASSY IS SURPRISED THAT IN VIEW OF THOSE INCREASINGLY FAVORABLE BUSINESS TIES WHICH OUR TWO NATIONS HAVE PLEDGED THEMSELVES TO FURTHER, THE SOVIET AUTHORITIES SHOULD SEE FIT UNILATERALLY TO IMPOSE SUCH INCREASES IN RENT.

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IN A LETTER OF SOVIET MINISTER OF FOREIGN TRADE PATOLICHEV

TO UNITED STATES SECRETARY OF COMMERCE PETERSON, DATED OCTOBER 18, 1972, THE USSR STATED THAT QUOTE UNITED STATES COMPANIES WILL RECEIVE TREATMENT NO LESS FAVORABLE THAN THAT ACCORDED TO BUSINESS ENTITIES OF BEGIN UNDERLINE ANY END UNDERLINE THIRD COUNTRY IN ALL MATTERS RELATING TO... BUSINESS FACILITATION. END QUOTE AN IMPORTANT ASPECT OF SUCH BUSINESS FACILITATION IS PROVISION OF QUOTE OFFICE FACILITIES OF AN APPROPRIATE SIZE IN BUILDINGS ACCESSIBLE TO TRADE SOURCES END QUOTE. DISCRIMINATORY RATES FOR THOSE FACILITIES WOULD APPEAR TO BE INCONSISTENT WITH THAT UNDERTAKING. FURTHER, DISCRIMINATORY HOTEL RATES IN GENERAL ARE DESTRUCTIVE OF THE GOOD FAITH UPON WHICH THE EXPANSION OF COMMERCIAL AND ECONOMIC COOPERATION AND ALSO OF TOURISM BETWEEN THE UNITED STATES AND THE SOVIET UNION DEPENDS. ULTIMATELY, THEY MAY ADVERSELY AFFECT THE ABILITY OF AMERICAN COMPANIES TO MAINTAIN AN EFFECTIVE PRESENCE IN THE SOVIET UNION. END QUOTE.

2. IN EVENT EMBASSY NOT AWARE OF SUCH THIRD COUNTRY DISCRIMINATION, DEPARTMENT RECOMMENDS THAT THIRD PARAGRAPH OF DRAFT NOTE RELAYED REFTEL C BE AMENDED TO READ: QUOTE THE EMBASSY CANNOT REGARD SUCH DISCRIMINATORY MANIPULATION OF HOTEL COSTS FOR SOME FOREIGN INDIVIDUALS AND FIRMS IN MOSCOW AS HELPFUL IN STRENGTHENING EITHER TOURISM OR COOPERATION BETWEEN COMMERCIAL AND ECONOMIC ENTERPRISES OF THE TWO COUNTRIES. THE EMBASSY IS SURPRISED THAT IN VIEW OF THOSE INCREASINGLY FAVORABLE BUSINESS TIES WHICH OUR TWO NATIONS HAVE PLEDGED THEMSELVES TO FURTHER, THE SOVIET AUTHORITIES SHOULD SEE FIT UNILATERALLY TO IMPOSE SUCH INCREASES IN RENT. IN THIS CONNECTION, THE EMBASSY REFERS THE MINISTRY TO THE LETTER OF SOVIET MINISTER OF FOREIGN TRADE PATOLICHEV TO UNITED STATES SECRETARY OF COMMERCE PETERSON, DATED OCTOBER 18, 1972. SUCH RENT INCREASES MAY ADVERSELY AFFECT THE ABILITY OF AMERICAN COMPANIES TO MAINTAIN AN EFFECTIVE PRESENCE IN THE SOVIET UNION. RUSH

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